



# **FORM 8-K**

## **LEHMAN BROTHERS HOLDINGS INC - LEHMQ**

**Filed: September 18, 2007 (period: September 18, 2007)**

Report of unscheduled material events or corporate changes.

# Table of Contents

[8-K - 8-K](#)

[Item 2.02.](#)      [Results of Operations and Financial Condition.](#)

[Item 9.01.](#)      [Financial Statements and Exhibits](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

[EX-99.1 \(EX-99.1\)](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported):  
**September 18, 2007**

**Lehman Brothers Holdings Inc.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation)

**1-9466**  
(Commission File Number)

**13-3216325**  
(IRS Employer Identification No.)

**745 Seventh Avenue**  
**New York, New York**  
(Address of principal  
executive offices)

**10019**  
(Zip Code)

Registrant's telephone number, including area code:  
**(212) 526-7000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On September 18, 2007, Lehman Brothers Holdings Inc. (the “Registrant”) issued a press release with respect to its earnings for its most recently completed fiscal quarter (the “Earnings Release”).

The Earnings Release and related attachments are annexed as Exhibit 99.1 hereto and are hereby incorporated herein and made a part hereof.

The information furnished under this Item 2.02, including Exhibit 99.1, shall be deemed to be “filed” for purposes of the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits(d) Exhibits

The following Exhibit is filed as part of this Report.

Exhibit 99.1	Press Release Relating to Earnings
	Selected Statistical Information
	At or for the Quarter Ended,
	August 31, 2007
	(Preliminary and Unaudited)
	Consolidated Statement of Income
	Quarter Ended August 31, 2007
	(Preliminary and Unaudited)
	Consolidated Statement of Income
	Nine Months Ended August 31, 2007
	(Preliminary and Unaudited)
	Segment Net Revenue Information
	Quarter and Nine Months Ended August 31, 2007
	(Preliminary and Unaudited)
	Reconciliation of Average Stockholders’ Equity to
	Average Tangible Common Stockholders’ Equity
	(Preliminary and Unaudited)
	Assets under Management
	As of August 31, 2007
	(Preliminary and Unaudited)
	Leverage and Net Leverage Calculations
	(Preliminary and Unaudited)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

**LEHMAN BROTHERS HOLDINGS INC.**  
(Registrant)

Date: September 18, 2007

By: /s/ Christopher M. O'Meara  
Christopher M. O'Meara  
Chief Financial Officer and Controller  
(Principal Financial Officer and Principal  
Accounting Officer)

3

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**EXHIBIT INDEX**

Exhibit 99.1	Press Release Relating to Earnings
	Selected Statistical Information At or for the Quarter Ended, August 31, 2007 (Preliminary and Unaudited)
	Consolidated Statement of Income Quarter Ended August 31, 2007 (Preliminary and Unaudited)
	Consolidated Statement of Income Nine Months Ended August 31, 2007 (Preliminary and Unaudited)
	Segment Net Revenue Information Quarter and Nine Months Ended August 31, 2007 (Preliminary and Unaudited)
	Reconciliation of Average Stockholders' Equity to Average Tangible Common Stockholders' Equity (Preliminary and Unaudited)
	Assets under Management As of August 31, 2007 (Preliminary and Unaudited)
	Leverage and Net Leverage Calculations (Preliminary and Unaudited)

# LEHMAN BROTHERS

## Press Release

*For Immediate Release*

Media Contact: Hannah Burns  
212-526-4064

Investor Contact: Shaun Butler  
212-526-8381

### LEHMAN BROTHERS REPORTS THIRD QUARTER RESULTS

#### *- Reports Net Income of \$887 Million and Net Revenues of \$4.3 Billion -*

NEW YORK— September 18, 2007 – Lehman Brothers Holdings Inc. (ticker symbol: LEH) today reported net income of \$887 million, or \$1.54 per common share (diluted), for the third quarter ended August 31, 2007, representing decreases of 3% and 2%, respectively, from net income of \$916 million, or \$1.57 per common share (diluted), reported for the third quarter of fiscal 2006. Net income and earnings per common share (diluted) for the second quarter of fiscal 2007 were \$1.3 billion and \$2.21, respectively.

For the first nine months of fiscal 2007, the Firm reported record net income of \$3.3 billion, or \$5.71 per common share (diluted), up 10% and 12%, respectively, from net income of \$3.0 billion, or \$5.09 per common share (diluted) for the first nine months of fiscal 2006. The 2006 results include an after-tax gain of \$47 million, or \$0.08 per common share (diluted), from the cumulative effect of a change in accounting principle associated with the Firm's adoption of SFAS 123R on December 1, 2005.

#### Third Quarter Business Highlights

- Posted record nine months net revenues, net income and earnings per common share (diluted)
- Non-U.S. net revenues represented 53% of the Firm's net revenues for the third quarter of fiscal 2007
- Reported record Investment Management net revenues for the third quarter of fiscal 2007, and record assets under management of \$275 billion

Chairman and Chief Executive Officer Richard S. Fuld, Jr. said, "Despite challenging conditions in the markets, our results once again demonstrate the diversity and financial strength of the Lehman Brothers franchise, as well as our ability to perform across cycles. For the quarter, we reported record net revenues in Investment Management, and our second highest net revenues in both Investment Banking and Equities Capital Markets. In addition, more than half of our net revenues for the quarter came from outside the U.S. We remain focused on delivering significant long term value for our clients and shareholders."

Net revenues (total revenues less interest expense) for the third quarter of fiscal 2007 were \$4.3 billion, an increase of 3% from \$4.2 billion reported in the third quarter of fiscal 2006 and a decrease of 22% from the record \$5.5 billion reported in the second quarter of fiscal 2007. For the first nine months of fiscal 2007, the Firm reported record net revenues of \$14.9 billion, an increase of 14% from \$13.1 billion for the first nine months of fiscal 2006.

Capital Markets reported net revenues of \$2.4 billion for the third quarter of fiscal 2007, a decrease of 14% from \$2.8 billion in the third quarter of fiscal 2006. Fixed Income Capital Markets reported net revenues of \$1.1 billion, a decrease of 47% from \$2.0 billion in the third quarter of fiscal 2006, primarily due to lower performances within Credit and Securitized Products. Within Fixed Income Capital Markets, the Firm recorded very substantial valuation reductions, most significantly on leveraged loan commitments and residential mortgage-related positions. These losses were partially offset by large valuation gains on economic hedges and other liabilities. The result of these valuation items was a net reduction in revenues of approximately \$700 million. Equities Capital Markets reported its second highest net revenue quarter, with net revenues of \$1.4 billion, an increase of 64% from \$837 million in the third quarter of fiscal 2006. This performance was driven by strong client activity in both Cash and Derivative Products, and represents the third straight quarter that Equities Capital Markets has surpassed \$1 billion in net revenues. Investment Banking also reported its second highest net revenue quarter, with net revenues of \$1.1 billion representing an increase of 48% from \$726 million in the third quarter of fiscal 2006. This performance was driven by record advisory net revenues, which more than doubled to \$425 million from \$195 million in the third quarter of fiscal 2006, as well as strong equity origination net revenues, which rose 62% to \$296 million from \$183 million in the third quarter of fiscal 2006. For the quarter, debt origination net revenues were \$350 million, consistent with \$348 million reported in the third quarter of fiscal 2006. Investment Management reported record net revenues of \$802 million, an increase of 33% from \$605 million in the third quarter of fiscal 2006. This performance was driven by record Private Investment Management net revenues, which increased 30% to \$334 million from \$256 million in the third quarter of fiscal 2006, and record Asset Management net revenues, which increased



34% to \$468 million from \$349 million in the third quarter of fiscal 2006. Assets under management grew to a record \$275 billion.

Non-interest expenses for the third quarter of fiscal 2007 were \$3.1 billion, compared with \$3.6 billion in the second quarter of fiscal 2007 and \$2.8 billion in the third quarter of fiscal 2006. Compensation and benefits as a percentage of net revenues was 49.3% during the third quarter of fiscal 2007, consistent with both the second quarter of fiscal 2007 and the third quarter of fiscal 2006.

Non-personnel expenses in the third quarter of fiscal 2007 were \$979 million, compared with \$915 million in the second quarter of fiscal 2007 and \$751 million in the third quarter of fiscal 2006, reflecting continued investments in the franchise and \$44 million (\$37 million after tax, or \$0.06 per common share (diluted)) of costs associated with the restructuring of the Firm's global residential mortgage origination business, including the closure of BNC Mortgage LLC. These costs reflect non-personnel expenses of approximately \$17 million and a goodwill write-down of approximately \$27 million, which are included in Other expenses in the Firm's Consolidated Statement of Income.

The Firm's pre-tax margin was 28.0% for the third quarter of fiscal 2007, compared with 32.7% for the third quarter of fiscal 2006. Return on average common equity was 17.1% for the third quarter of fiscal 2007, compared with 21.0% for the third quarter of fiscal 2006. Return on average tangible common equity was 21.1% for the third quarter of fiscal 2007, compared with 26.1% for the third quarter of fiscal 2006.

As of August 31, 2007, Lehman Brothers' total stockholders' equity was \$21.7 billion, and total long-term capital (stockholders' equity and long-term borrowings, excluding any borrowings with remaining maturities of less than twelve months) was \$141.5 billion. Book value per common share was \$38.29.

Lehman Brothers (ticker symbol: LEH), an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients, and high net worth individuals worldwide. Founded in 1850, Lehman Brothers maintains leadership positions in equity and fixed income sales, trading and research, investment banking, private investment management, asset management and private equity. The Firm is headquartered in New York, with regional headquarters in London and Tokyo, and operates in a network of offices around the world. For further information about Lehman Brothers' services, products and recruitment opportunities, visit the Firm's Web site at [www.lehman.com](http://www.lehman.com). Lehman Brothers Inc. is a member of SIPC.

*Conference Call*

A conference call to discuss the Firm's financial results and outlook will be held today at 10:00 a.m. ET. The call will be open to the public. Members of the public who would like to access the conference call should dial, from the U.S., 888-323-4182 or from outside the U.S., 517-623-4500. The pass code for all callers is LEHMAN. The conference call will also be accessible through the "Shareholders" section of the Firm's Web site under the subcategory "Webcasts." For those unable to listen to the live broadcast, a replay will be available on the Firm's Web site or by dialing 866-501-0095 (domestic) or 203-369-1821 (international). The replay will be available approximately one hour after the event and will remain available on the Lehman Brothers Web site and by phone until 11:59 p.m. ET on October 19, 2007.

Please direct any questions regarding the conference call to Shaun Butler at 212-526-8381, sbutler@lehman.com or Elizabeth Besen at 212-526-2733, ebesen@lehman.com.

*Cautionary Note Regarding Forward-Looking Statements*

This press release may contain forward-looking statements. These statements are not historical facts, but instead represent only the Firm's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include risks and uncertainties relating to market fluctuations and volatility, industry competition and changes in the competitive environment, investor sentiment, liquidity and credit ratings, credit exposures, operational risks and legal and regulatory matters. The Firm's actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any such forward-looking statements and, accordingly, readers are cautioned not to place undue reliance on such statements. The Firm undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. For more information concerning the risks and other factors that could affect the Firm's future results and financial condition, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Firm's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

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**LEHMAN BROTHERS HOLDINGS INC.**  
**SELECTED STATISTICAL INFORMATION**  
**(Preliminary and Unaudited)**  
**(Dollars in millions, except share data)**

	At or For the Quarter Ended				
	Aug 31, 2007	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006
<b>Income Statement</b>					
Net Revenues	\$ 4,308	\$ 5,512	\$ 5,047	\$ 4,533	\$ 4,178
Non-Interest Expenses:					
Compensation and Benefits	2,124	2,718	2,488	2,235	2,060
Non-personnel Expenses	979	915	860	809	751
Net Income	887	1,273	1,146	1,004	916
Net Income Applicable to Common Stock	870	1,256	1,129	987	899
Earnings per Common Share:					
Basic	\$ 1.61	\$ 2.33	\$ 2.09	\$ 1.83	\$ 1.66
Diluted	\$ 1.54	\$ 2.21	\$ 1.96	\$ 1.72	\$ 1.57
<b>Financial Ratios (%)</b>					
Return on Average Common Stockholders' Equity (annualized) (a)	17.1%	25.8%	24.4%	22.3%	21.0%
Return on Average Tangible Common Stockholders' Equity (annualized) (b)	21.1%	31.6%	29.9%	27.6%	26.1%
Pre-tax Margin	28.0%	34.1%	33.7%	32.8%	32.7%
Compensation and Benefits/Net Revenues	49.3%	49.3%	49.3%	49.3%	49.3%
Effective Tax Rate	26.4%	32.3%	32.5%	32.5%	33.0%
<b>Financial Condition</b>					
Total Assets	\$ 656,000	\$ 605,861	\$ 562,283	\$ 503,545	\$ 473,737
Net Assets (c)	353,892	337,667	300,797	268,936	239,424
Common Stockholders' Equity (d)	20,638	20,034	18,910	18,096	17,301
Total Stockholders' Equity (d)	21,733	21,129	20,005	19,191	18,396
Total Stockholders' Equity Plus Junior Subordinated Notes (c)	26,647	25,650	23,018	21,929	21,088
Tangible Equity Capital (c), (h)	22,164	21,881	19,487	18,567	17,724
Total Long-Term Capital (e)	141,477	121,948	110,780	100,369	92,430
Book Value per Common Share (f)	38.29	37.15	35.15	33.87	32.16
Leverage Ratio (g)	30.2x	28.7x	28.1x	26.2x	25.8x
Net Leverage Ratio (c)	16.0x	15.4x	15.4x	14.5x	13.5x
<b>Other Data (#s)</b>					
Employees (i)	28,783	28,323	27,090	25,936	24,775
Assets Under Management (in billions)	\$ 275	\$ 263	\$ 236	\$ 225	\$ 207
Common Stock Outstanding (in millions)	529.4	530.2	534.9	533.4	530.3
Weighted Average Shares (in millions):					
Basic	540.4	538.2	540.9	539.2	540.9
Diluted	565.8	568.1	575.4	573.1	573.3

See Footnotes to Selected Statistical Information on page 6.

**LEHMAN BROTHERS HOLDINGS INC.**  
**FOOTNOTES TO SELECTED STATISTICAL INFORMATION**  
**(Preliminary and Unaudited)**

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- (a) Return on average common stockholders' equity is computed by dividing annualized net income applicable to common stock for the period by average common stockholders' equity. See the reconciliation on page 10.
  - (b) Return on average tangible common stockholders' equity is computed by dividing annualized net income applicable to common stock for the period by average tangible common stockholders' equity. Average tangible common stockholders' equity equals average common stockholders' equity less average identifiable intangible assets and goodwill. See the reconciliation on page 10. Management believes tangible common stockholders' equity is a meaningful measure because it reflects the common stockholders' equity deployed in our businesses.
  - (c) Net leverage ratio is defined as net assets (total assets excluding: 1) cash and securities segregated and on deposit for regulatory and other purposes, 2) collateralized lending agreements (including securities purchased under agreements to resell, securities borrowed and securities received as collateral), and 3) identifiable intangible assets and goodwill) divided by tangible equity capital. We believe net leverage based on net assets to be a more useful measure of leverage, because it excludes certain low-risk, non-inventory assets and utilizes tangible equity capital as a measure of our equity base. We believe tangible equity to be a more meaningful measure of our equity base as it includes stockholders' equity and junior subordinated notes (which we consider to be equity-like instruments due to their subordinated and long-term nature) and excludes identifiable intangible assets and goodwill (which we do not consider available to support our remaining net assets). See the reconciliation on page 12. These measures are not necessarily comparable to similarly titled measures provided by other companies in the securities industry because of different methods of calculation.
  - (d) Effective December 1, 2006, we adopted both Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The aggregate impact to opening retained earnings from the adoption of these standards was an after-tax increase of approximately \$67 million (approximately \$113 million pre-tax).
  - (e) Total long-term capital includes long-term borrowings (excluding any borrowings with remaining maturities of less than twelve months) and total stockholders' equity. We believe total long-term capital is useful to investors as a measure of our financial strength.
  - (f) The book value per common share calculation includes amortized restricted stock units granted under stock award programs.
  - (g) Leverage ratio is defined as total assets divided by total stockholders' equity.
  - (h) Our definition for tangible equity capital limits the amount of junior subordinated notes and preferred stock included in the calculation to 25% of tangible equity capital. The amounts excluded were approximately \$375 million and \$117 million in the third and second quarters of 2007, respectively; no amounts were excluded in prior periods.
  - (i) Headcount at August 31, 2007 reflects reductions related to the restructuring of the Firm's global residential mortgage origination business announced during the quarter, including the closure of BNC Mortgage LLC.

**LEHMAN BROTHERS HOLDINGS INC.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**(Preliminary and Unaudited)**  
**(In millions, except per share data)**

	Quarter Ended			% Change from	
	Aug 31, 2007	May 31, 2007	Aug 31, 2006 (a)	May 31, 2007	Aug 31, 2006
<b>Revenues:</b>					
Principal transactions	\$ 1,612	\$ 2,889	\$ 2,247		
Investment banking	1,071	1,150	726		
Commissions	674	568	529		
Interest and dividends	10,910	10,558	7,867		
Asset management and other	472	414	358		
Total revenues	14,739	15,579	11,727		
Interest expense	10,431	10,067	7,549		
Net revenues	4,308	5,512	4,178	-22%	3%
<b>Non-interest expenses:</b>					
Compensation and benefits	2,124	2,718	2,060		
Technology and communications	282	287	247		
Brokerage, clearance and distribution fees	224	201	164		
Occupancy	170	152	128		
Professional fees	128	120	90		
Business development	91	100	77		
Other (b)	84	55	45		
Total non-interest expenses	3,103	3,633	2,811	-15%	10%
Income before provision for income taxes	1,205	1,879	1,367		
Provision for income taxes	318	606	451		
Net income	\$ 887	\$ 1,273	\$ 916	-30%	-3%
Net income applicable to common stock	\$ 870	\$ 1,256	\$ 899	-31%	-3%
<b>Earnings per common share:</b>					
Basic	\$ 1.61	\$ 2.33	\$ 1.66	-31%	-3%
Diluted	\$ 1.54	\$ 2.21	\$ 1.57	-30%	-2%

- (a) Certain revenues in the third quarter of 2006 have been reclassified to conform to the current year presentation.  
(b) Includes approximately \$44 million of costs associated with the restructuring of the Firm's global residential mortgage origination business for the period ended August 31, 2007.

**LEHMAN BROTHERS HOLDINGS INC.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**(Preliminary and Unaudited)**  
**(In millions, except per share data)**

	Nine Months Ended August 31,		% Change from August 31, 2006
	2007	2006 (a)	
<b>Revenues:</b>			
Principal transactions	\$ 7,421	\$ 7,298	
Investment banking	3,071	2,302	
Commissions	1,783	1,529	
Interest and dividends	30,557	21,386	
Asset management and other	1,281	1,034	
Total revenues	44,113	33,549	
Interest expense	29,246	20,499	
Net revenues	14,867	13,050	14%
<b>Non-interest expenses:</b>			
Compensation and benefits	7,330	6,434	
Technology and communications	834	713	
Brokerage, clearance and distribution fees	620	463	
Occupancy	468	408	
Professional fees	346	245	
Business development	275	211	
Other (b)	211	160	
Total non-interest expenses	10,084	8,634	17%
Income before taxes and cumulative effect of accounting change	4,783	4,416	
Provision for income taxes	1,477	1,460	
Income before cumulative effect of accounting change	3,306	2,956	
Cumulative effect of accounting change	—	47	
Net income	\$ 3,306	\$ 3,003	10%
Net income applicable to common stock	\$ 3,255	\$ 2,954	10%
<b>Earnings per basic common share: (c)</b>			
Before cumulative effect of accounting change	\$ 6.03	\$ 5.34	
Cumulative effect of accounting change	—	0.09	
Earnings per basic common share	\$ 6.03	\$ 5.43	11%
<b>Earnings per diluted common share: (c)</b>			
Before cumulative effect of accounting change	\$ 5.71	\$ 5.01	
Cumulative effect of accounting change	—	0.08	
Earnings per diluted common share	\$ 5.71	\$ 5.09	12%

(a) Certain revenues in 2006 have been reclassified to conform to the current year presentation.

(b) Includes approximately \$44 million of costs associated with the restructuring of the Firm's global residential mortgage origination business for the period ended August 31, 2007.

(c) Earnings per share have been restated to reflect the two-for-one stock split on April 28, 2006.

**LEHMAN BROTHERS HOLDINGS INC.**  
**SEGMENT NET REVENUE INFORMATION**  
**(Preliminary and Unaudited)**  
**(In millions)**

	Quarter Ended			% Change from	
	Aug 31, 2007	May 31, 2007	Aug 31, 2006	May 31, 2007	Aug 31, 2006
<b>Capital Markets:</b>					
Fixed Income	\$ 1,063	\$ 1,891	\$ 2,010		
Equities	1,372	1,703	837		
Total	2,435	3,594	2,847	-32%	-14%
<b>Investment Banking:</b>					
Global Finance – Debt	350	540	348		
Global Finance – Equity	296	333	183		
Advisory Services	425	277	195		
Total	1,071	1,150	726	-7%	48%
<b>Investment Management:</b>					
Asset Management	468	460	349		
Private Investment Management	334	308	256		
Total	802	768	605	4%	33%
Total Net Revenues	\$ 4,308	\$ 5,512	\$ 4,178	-22%	3%

	Nine Months Ended Aug 31,		% Change from Aug 31, 2006
	2007	2006	
Capital Markets:			
Fixed Income	\$ 5,117	\$ 6,312	
Equities	4,413	2,659	
Total	9,530	8,971	6%
Investment Banking:			
Global Finance – Debt	1,318	1,047	
Global Finance – Equity	805	590	
Advisory Services	948	665	
Total	3,071	2,302	33%
Investment Management:			
Asset Management	1,344	1,064	
Private Investment Management	922	713	
Total	2,266	1,777	28%
Total Net Revenues	\$ 14,867	\$ 13,050	14%

**LEHMAN BROTHERS HOLDINGS INC.**  
**RECONCILIATION OF AVERAGE STOCKHOLDERS' EQUITY TO**  
**AVERAGE TANGIBLE COMMON STOCKHOLDERS' EQUITY**  
**(Preliminary and Unaudited)**  
**(In millions)**

	Quarter Ended				
	Aug 31, 2007	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006
Average stockholders' equity	\$ 21,431	\$ 20,567	\$ 19,632	\$ 18,794	\$ 18,189
Less: average preferred stock	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)
Average common stockholders' equity	\$ 20,336	\$ 19,472	\$ 18,537	\$ 17,699	\$ 17,094
Less: average identifiable intangible assets and goodwill	(3,880)	(3,592)	(3,447)	(3,363)	(3,331)
Average tangible common stockholders' equity	\$ 16,456	\$ 15,880	\$ 15,090	\$ 14,336	\$ 13,763



**LEHMAN BROTHERS HOLDINGS INC.**  
**ASSETS UNDER MANAGEMENT**  
**(Preliminary and Unaudited)**  
**(In billions)**

	At		
	Aug 31, 2007	May 31, 2007	Aug 31, 2006
<b>Composition of Assets Under Management</b>			
Equity	\$ 104	\$ 108	\$ 87
Fixed Income	72	65	58
Money Markets	69	64	43
Alternative Investments	30	26	19
Assets Under Management	<u>\$ 275</u>	<u>\$ 263</u>	<u>\$ 207</u>

	Quarter Ended		
	Aug 31, 2007	May 31, 2007	Aug 31, 2006
<b>Assets Under Management Rollforward</b>			
Opening balance	\$ 263	\$ 236	\$ 198
Net additions	15	16	6
Net market appreciation/(depreciation)	<u>(3)</u>	<u>11</u>	<u>3</u>
Total increase	<u>12</u>	<u>27</u>	<u>9</u>
Ending balance	<u>\$ 275</u>	<u>\$ 263</u>	<u>\$ 207</u>

**LEHMAN BROTHERS HOLDINGS INC.**  
**LEVERAGE and NET LEVERAGE CALCULATIONS**  
**(Preliminary and Unaudited)**  
**(In millions)**

	<u>Aug 31,</u> <u>2007</u>	<u>May 31,</u> <u>2007</u>	<u>Feb 28,</u> <u>2007</u>	<u>Nov 30,</u> <u>2006</u>	<u>Aug 31,</u> <u>2006</u>
Net assets:					
Total assets	\$ 656,000	\$ 605,861	\$ 562,283	\$ 503,545	\$ 473,737
Less:					
Cash and securities segregated and on deposit for regulatory and other purposes	(11,000)	(7,154)	(6,293)	(6,091)	(5,736)
Collateralized lending agreements	(287,000)	(257,388)	(251,662)	(225,156)	(225,213)
Identifiable intangible assets and goodwill	(4,108)	(3,652)	(3,531)	(3,362)	(3,364)
Net assets	<u>\$ 353,892</u>	<u>\$ 337,667</u>	<u>\$ 300,797</u>	<u>\$ 268,936</u>	<u>\$ 239,424</u>
Tangible equity capital:					
Total stockholders' equity	\$ 21,733	\$ 21,129	\$ 20,005	\$ 19,191	\$ 18,396
Junior subordinated notes (a)	4,539	4,404	3,013	2,738	2,692
Less: Identifiable intangible assets and goodwill	(4,108)	(3,652)	(3,531)	(3,362)	(3,364)
Tangible equity capital (a)	<u>\$ 22,164</u>	<u>\$ 21,881</u>	<u>\$ 19,487</u>	<u>\$ 18,567</u>	<u>\$ 17,724</u>
Leverage (total assets / total stockholders' equity)	30.2x	28.7x	28.1x	26.2x	25.8x
Net leverage (net assets / tangible equity capital)	16.0x	15.4x	15.4x	14.5x	13.5x

- (a) Our definition for tangible equity capital limits the amount of junior subordinated notes and preferred stock included in the calculation to 25% of tangible equity capital. The amounts excluded were approximately \$375 million and \$117 million in the third and second quarters of 2007, respectively; no amounts were excluded in prior periods.